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SUBJECT: U.S. - Mozambique Trade Investment Framework
Council Talks

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SUMMARY

¶1. (U) Summary. Assistant United States Trade Representative (AUSTR) Florizelle Liser led an interagency visit to Mozambique October 16 through October 18. The purpose of the visit was to conduct the first bilateral Council on Trade and Investment (TIFA Council) under the Trade Investment Framework Agreement (TIFA) signed in June ¶2005. In addition to the TIFA Council meeting, the delegation held bilateral talks, a joint press conference with the Minister of Industry and Commerce and met with the private sector to discuss trade facilitation and business environment issues. The delegation included USTR Director for African Affairs Patrick Coleman, Millennium Challenge Corporation Country Director Stephen Gaull, Department of Commerce Pretoria Senior Commercial Officer Craig Allen, U.S. Trade and Development Agency Manager for Sub-Saharan Africa Doug Shuster, USDA Pretoria Agricultural Counselor Scott Reynolds, and State/AF/EPS Officer Janet Potash. During the TIFA Council the TIFA Workplan was reviewed and a joint summary of the meeting agreed upon. End Summary.

THE TIFA COUNCIL

¶2. (U) On October 16, AUSTR Liser and Mozambique's Minister of Industry and Commerce, Antonio Fernando, opened the bilateral TIFA Council, both stressing the bilateral trade potential between the United States and Mozambique, progress made to date on the business environment in Mozambique and the desire of both parties to continue Mozambique's economic growth through bilateral cooperation and assistance.

¶3. (U) After the opening remarks AUSTR Liser and Ana Maria Raquel, Permanent Secretary, Ministry of Industry and Commerce, shared positions on Doha, with the AUSTR encouraging Mozambique to take a more active role in the World Trade Organization. Following the Doha discussion, the MCC's Stephen Gaull and Emilio Muchanga, Head of the Mozambican government's MCC Technical Unit then presented an update and trade-related highlights of progress towards a MCC Compact with Mozambique.

¶4. (U) The bilateral team reviewed the TIFA Workplan, as well as progress made in implementing the TIFA, highlighting programs and reforms undertaken by Mozambique as well as technical assistance and programs implemented by the United States. A USAID Maputo representative emphasized USAID's activities supporting and improving the environment for investment and trade, including long-term technical assistance, capacity building and sector-specific programs.

¶5. (U) During the closing session of the TIFA Council, AUSTR Liser emphasized the importance of focusing on specific key sectors and/or products for export development and assistance and the opportunities provided under AGOA for processed products. (Note. AGOA offers greater margins for processed products, as opposed to raw products, as non-AGOA countries generally face higher tariffs on processed products. End note.) Minister Fernando stressed Mozambique's need for greater technical assistance, including assistance in identifying and supporting appropriate sectors and products for the regional and US markets.

¶6. (U) At the conclusion of the TIFA Council on the afternoon of October 17, AUSTR Liser announced a USD 750,000 program focused on facilitating and simplifying trade in Mozambique via streamlining the import and export process. This program, funded under the President's African Global Competitiveness Initiative and implemented by USAID, aims to cut import and export times in half within two years.

¶7. (U) Immediately following the TIFA Council meetings, AUSTR Liser and Minister Fernando held a well-attended joint press briefing that resulted in several media reports on the TIFA Council and US trade-related support to Mozambique.

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PRIVATE SECTOR ROUNDTABLE AND IPR PRESENTATION

¶8. (U) During the afternoon of October 16, AUSTR Liser and Permanent Secretary Raquel led a bilateral roundtable with the private sector to discuss investment promotion and the business environment. The roundtable was well attended by members of the private sector, who raised general observations regarding doing business in Mozambique and an overall desire to increase exports, including to the United States.

¶9. (U) Lance Khumalo, General Director of Unilever Mozambique and Fernando Santos of the Mozambican Intellectual Property Institute each gave a presentation on the status of the protection of Intellectual Property Rights (IPR) in Mozambique. Both stressed the importance and effectiveness of the IPR Task Force, a joint endeavor by the private sector and government, in addressing ongoing IPR issues. The cross-functional taskforce is comprised of the Ministry of Industry and Commerce, Ministry of Finance, Ministry of Interior, Ministry of Justice, Trade Marks Office, a private law firm and representatives from the private sector.

BILATERAL MEETING AND DINNER WITH THE MINISTER

¶10. (U) On the evening of the October 16 the Ministry of Industry and Commerce hosted a dinner for both delegations following a bilateral meeting between AUSTR Liser and Minister Fernando. Charge d'Affaires Elizabeth Raspolic and Patrick Coleman also participated in the bilateral. During the bilateral meeting, Minister Fernando and AUSTR Liser reviewed the TIFA Council discussions that occurred during the day, including progress on the workplan. AUSTR Liser

also reported on her discussions that day with the Mozambican private sector. The dinner party included all members of both delegations as well as working level representatives from the Ministry of Industry and Commerce and the US Mission, creating an opportunity to discuss trade and investment issues in a more informal environment while strengthening working relationships.

BILATERAL MEETING WITH PRIME MINISTER DIOGO

¶11. (U) On the morning of October 17 AUSTRLiser and Deputy Chief of Mission James Dudley attended a bilateral meeting with Mozambican Prime Minister Luisa Diogo and Minister Fernando. AUSTRLiser noted that the United States has TIFAs with only a few key countries in Africa and emphasized the importance of identifying specific sectors and products for export development and assistance. AUSTRLiser also mentioned the presentation she received on IPR issues and suggested that President Guebuza and Minister Fernando could use their pending visit to China to stress the problems presented by Chinese counterfeit products in Mozambique.

¶12. (U) Prime Minister Diogo praised USAID's support of CTA, the umbrella organization representing the private sector in Mozambique. She also mentioned her hope that AGOA would be extended by the US Congress and stressed that Mozambique is on a positive path, citing macroeconomic stability, low inflation, a successful currency change, and the government's steps towards disaster readiness.

PRIVATE SECTOR MEETINGS, SITE VISITS AND CCMUSA LUNCH

¶13. (U) After the meeting with the Prime Minister, AUSTRLiser and the delegation visited the Port of Maputo and met with the port concessionaire Maputo Port Development Company (MPDC). Peter Lowe, CEO of MPDC, gave a presentation to the delegation highlighting the progress made at the port since MPDC took over operations in 2003. However, he also emphasized the strain recent governmental decisions regarding scanning and the cost recovery plan to pay for scanning operations have placed on the private sector. He

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stressed his concern that the current situation would translate into decreased trade flow through Mozambique and eventual closure of the port. (Note. Additional information regarding the scanning debate in Mozambique will follow septel.) In addition, Mr. Lowe discussed the critical role of the Maputo Corridor, which extends from Mpumalanga Province in South Africa to the Port of Maputo, in increasing trade and the need for a twenty-four hour border and rehabilitated railway line.

¶14. (U) After the port of Maputo, the delegation visited Maputo Clothing Company, the only apparel company in Mozambique currently exporting to the United States under AGOA. Frank Roomer, CEO of Maputo Clothing Company, shared his belief that it is possible to successfully make apparel in Mozambique, but that there is a need to simplify customs procedures and to diversify market outlets both regionally and in the United States.

¶15. (U) The Mozambican-American Chamber of Commerce (CCMUSA) hosted a lunch for the delegation, allowing AUSTRLiser and delegation members to hear from Mozambican businessmen and women regarding their individual experiences. Henk Son, President of CCMUSA, expressed the importance of the bilateral relationship and US technical assistance in Mozambique's continued economic growth. A recurring theme throughout the lunch was the difficulty faced by Mozambican businesses in identifying appropriate sectors and products for export and the need for greater

technical assistance and support in securing committed purchasers.

COMMENT

¶16. (U) The TIFA Council, bilateral meetings and private sector interaction reinforced the ongoing positive business and trade relationship between the United States and Mozambique. AUSTR Liser utilized this visit to stress the importance of Mozambique's continued commitment to improving the business environment and the critical assistance provided by the United States to help ensure progress and success. Mozambique's stated commitment to increasing exports was exemplified by its progress on several TIFA Workplan elements and its desire to continue the working relationship with the United States and its agencies on capacity and technical issues. As evidenced by existing concerns within the private sector, there is still much more work to be done; there is little doubt however that the United States will continue to support Mozambique in its efforts to move forward. End Comment.

17.(U) USTR has cleared this cable in draft.

Dudley